

Subject: 2003 Annual Merit Review

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Date: Tue, 25 Feb 2003 13:04:21 -0500

From: "MICHELE FEDERICI" <mfederici@keyspanenergy.com>

Organization: KeySpan

To: Keyspan Officers List <keyspan-officer-list@keyspanenergy.com>

For your information, questions have arisen regarding the 2003 merit review. Attached is a communication from Bob Catell regarding this year's management merit process and what is planned for October, 2003.

Please share this information with your Directors.

DATE: February 25, 2003
TO: ALL OFFICERS
FROM: R.B. Catell
SUBJECT: 2003 ANNUAL MERIT REVIEW & OTHER COMPENSATION
MATTERS

As you are aware, given the current economic conditions and in support of our 2003 corporate goals, KeySpan has made the decision to extend the merit increase cycle to an 18-month period for all management employees. In terms of officer compensation, the merit increase cycle has been extended to a 24-month period.

KeySpan recognizes that our employees make a significant contribution towards the success of our company and are recognized as valuable contributors. As such, you can assure your management employees that there shall be a merit increase granted to employees in October, 2003.

For New England, as we continue to transition base pay to variable pay, the merit budget will be 2.5 percent. For New York based employees, the merit budget will be 3.5 percent of base salary. Consistent with past practice, a band adjustment budget of 1.0 percent will apply for other compensation adjustments such as promotions, market adjustments, job re-evaluations, etc.

Additional information regarding compensation guidelines will be provided by the Compensation Area of Human Resources.